
Office of the Comptroller of the Currency
Office of Thrift Supervision

February 13, 2009

State Foreclosure Prevention Working Group:

Attorney General Miller
Deputy Commissioner Pearce
Attorney General Goddard
Attorney General Brown
Attorney General Suthers
Attorney General Madigan
Attorney General Coakley
Attorney General Cox
Attorney General Cortez Masto
Attorney General Cooper
Attorney General Cordray
Attorney General Abbott
Attorney General McKenna
Superintendent Neiman
Commissioner Raskin

Re: OCC/OTS Mortgage Metrics Report

Dear Working Group Members:

We are writing in response to your letter, dated February 2, 2009, which raises several concerns regarding the sustainability of loan modifications, the quality of available data on mortgage and loan modification performance, and the response to the wave of foreclosures facing the nation.

We share your concerns about the importance of complete and reliable data concerning mortgage modifications, and the need to understand and evaluate the actions of mortgage servicers to provide affordable and sustainable loan modifications. For these reasons we developed the *OCC and OTS Mortgage Metrics Report* to capture this type of information from national bank and thrift servicers.

The *Mortgage Metrics Report* covers approximately 90 percent of the first-lien mortgages serviced by OCC and OTS supervised servicers, representing 60 percent of all mortgages in the United States. The *Report* is also based on loan-level data, rather than unvalidated surveys that report aggregate or summary information, like the survey reports

of the State Foreclosure Prevention Working Group. Moreover, the information contained in the *Report* is based on standardized definitions and data elements to ensure consistency among servicers and the loans they service. The latter is especially important because we learned that different lenders can establish various criteria when a mortgage is characterized as "delinquent" in their systems. In addition, some lenders may require a trial period of stipulated payments before a loan is treated as "modified," while others may report the loan as modified before completing such a trial period. These types of differences can skew survey results, highlighting the need for consistent, verified, loan-level reporting against defined standards.

As you note, the *Report* for the third quarter of 2008 showed that loan modifications made in the first and second quarter of 2008 are failing at a surprisingly high rate. This report was our first step to gather a vast amount of data on the effectiveness of loan modifications. An examination of these results led to our decision that more detailed information is needed to enhance our analysis. We have been working to gather additional details on the types of modifications and changes in monthly principal and interest payments resulting from modifications. We plan to present substantially expanded information on actual changes in monthly principal and interest payments resulting from loan modifications in the next quarterly *Mortgage Metrics Report* due out in March. Further details on modifications are planned for subsequent *Reports*.


We have shared our data dictionary for the *Mortgage Metrics Report* with any party that has requested it, including with the Conference of State Bank Supervisors. We are enclosing a copy of our most current data dictionary for your information. We welcome the opportunity to work with you and your designated representatives to review and further explain this information and how comparable, consistent data could be collected from state-regulated mortgage servicers. The collection of identical loan-level information from state-regulated servicers, subject to the same rigorous data validation as the *Mortgage Metrics Report*, would result in comprehensive, consistent, and comparable nationwide data on mortgage delinquencies, defaults, foreclosures, and modifications. We believe that this would be the best way to obtain reliable data with meaningful "apples-to-apples" comparisons and useful conclusions.

The OCC and the OTS have continually and actively encouraged lenders and servicers that we regulate to proactively pursue affordable, sustainable mortgage modification programs. Our ongoing dialogue with the servicers reveals that all are also actively working with third party investors, another critical constituency in the implementation of effective modification programs. It is clear from the information your effort has gathered and from our most recent *Mortgage Metrics Report*, however, that many of the loan modifications implemented in the first half of 2008 are not working. To help understand exactly why requires collection and analysis of an extensive amount of data, built around consistent data elements and definitions. This is what is unique about the content and methodology of the *Mortgage Metrics Report*. This data can be used to encourage loan modifications that are more likely to be effective and sustainable. In providing more detailed information as we move forward, supervisors, lenders, servicers and policymakers can use this data to take steps to improve the sustainability of loan

modifications and develop additional strategies to respond to the problems facing homeowners, mortgage servicers, and the broader economy.

Please contact us. We look forward to working with you.

Sincerely,


John C. Dugan
Comptroller of the Currency


John M. Reich
Director
Office of Thrift Supervision

Enclosure